

LIABILITIES AND MEMBERS' EQUITY

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
CURRENT LIABILITIES:				
Accounts payable	\$ 813,444	\$ 0	\$ 0	\$ 813,444
Accounts payable - affiliate		67,402	67,402	0
Current portion - RUS	311,862			311,862
Current portion - John Reigle debt	151,008			151,008
Accounts payable - related party	60,212			60,212
Accrued income taxes	22,000			22,000
Accrued taxes	10,472			10,472
Total current liabilities	<u>1,368,998</u>	<u>67,402</u>	<u>67,402</u>	<u>1,368,998</u>
OTHER LONG-TERM LIABILITIES:				
Deferred grant revenue	<u>1,702,743</u>			<u>1,702,743</u>
LONG-TERM DEBT - less current portion:				
RUS mortgage notes	6,355,497			6,355,497
John Reigle note payable				0
Total long-term liabilities	<u>6,355,497</u>	<u>0</u>	<u>0</u>	<u>6,355,497</u>
TOTAL LIABILITIES	<u>9,427,238</u>	<u>67,402</u>	<u>67,402</u>	<u>9,427,238</u>
MEMBERS' EQUITY:				
Memberships issued	3,080			3,080
Non-Patronage capital (deficit)		3,916	3,916	0
Patronage capital (deficit)	(767,652)	(56,974)	(56,974)	(767,652)
Total members' equity (deficit)	<u>(764,572)</u>	<u>(53,058)</u>	<u>(53,058)</u>	<u>(764,572)</u>
Total liabilities and members' equity	<u>\$ 8,662,666</u>	<u>\$ 14,344</u>	<u>\$ 14,344</u>	<u>\$ 8,662,666</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING REVENUES:				
Basic local network services	\$ 38,532	\$ 0	\$ 0	\$ 38,532
Network access services	1,607,146		30,686	1,576,460
Long distance	32,971			32,971
Internet revenue		26,519		26,519
Miscellaneous	2,747	26,305		29,052
Total operating revenues	<u>1,681,396</u>	<u>52,824</u>	<u>30,686</u>	<u>1,703,534</u>
OPERATING EXPENSES:				
Plant specific operations	185,637	87,201	30,686	242,152
Plant nonspecific operations	141,826			141,826
Depreciation and amortization	369,079			369,079
Customer operations	20,389	1,315		21,704
Corporate operations	415,186			415,186
Total operating expenses	<u>1,132,117</u>	<u>88,516</u>	<u>30,686</u>	<u>1,189,947</u>
GROSS OPERATING INCOME (LOSS)	549,279	(35,692)	0	513,587
OPERATING TAXES:				
Other operating taxes	<u>103,976</u>			<u>103,976</u>
OPERATING INCOME (LOSS)	<u>445,303</u>	<u>(35,692)</u>	<u>0</u>	<u>409,611</u>
NONOPERATING INCOME (DEDUCTIONS):				
Interest income	59			59
Interest expense - RUS	(336,917)			(336,917)
Interest expense - other	(9,214)			(9,214)
Income (loss) from affiliate	(35,692)		(35,692)	0
Construction contract income	105,885			105,885
Other income (expense)	3,917			3,917
Federal income tax	(22,000)			(22,000)
Total nonoperating income (deductions)	<u>(293,962)</u>	<u>0</u>	<u>(35,692)</u>	<u>(258,270)</u>
NET INCOME (LOSS)	<u>\$ 151,341</u>	<u>\$ (35,692)</u>	<u>\$ (35,692)</u>	<u>\$ 151,341</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING ACTIVITIES:				
Net income (loss)	\$ 151,341	\$ (35,692)	\$ 35,692	\$ 151,341
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	366,329			366,329
Amortization	2,750			2,750
Loss from investment in affiliate	35,692		(35,692)	0
Changes in operating assets and liabilities:				
(Increase) Decrease in:				
Accounts receivable	(215,942)	(4,522)		(220,464)
Accounts affiliate	(20,503)	27,084	(6,581)	0
Inventories	85,460			85,460
Other current assets	396			396
Increase (Decrease) in:				
Accounts payable	215,510			215,510
Accounts payable - NECA	(27,084)	20,503	6,581	0
Accrued income tax	22,000			22,000
Accrued taxes	4,858			4,858
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	620,807	7,373	0	628,180
INVESTING ACTIVITIES:				
Purchase of property, plant, and equipment	(2,325,049)			(2,325,049)
Proceeds from sale of equipment	3,800			3,800
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	\$ (2,321,249)	\$ 0	\$ 0	\$ (2,321,249)

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
FINANCING ACTIVITIES:				
Increase in memberships	\$ 100	\$ 0	\$ 0	\$ 100
Proceeds from borrowings on long-term debt - RJS	360,929			360,929
Proceeds from grant	1,702,743			1,702,743
Principal payments on long-term debt	(309,843)			(309,843)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>1,753,929</u>	<u>0</u>	<u>0</u>	<u>1,753,929</u>
(DECREASE) IN CASH AND CASH EQUIVALENTS	53,487	7,373	0	60,860
CASH AND CASH EQUIVALENTS - BEGINNING	<u>129,024</u>	<u>1,866</u>		<u>130,890</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 182,511</u>	<u>\$ 9,239</u>	<u>\$ 0</u>	<u>\$ 191,750</u>
SUPPLEMENTAL DISCLOSURES:				
Interest paid (\$0 capitalized)	\$ 346,131	\$ 0	\$ 0	\$ 346,131
Income taxes paid	\$ 0	\$ 0	\$ 0	\$ 0

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
(A Michigan Mutual Company)
CURRAN, MICHIGAN

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2010

ASSETS

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
CURRENT ASSETS:				
Cash and cash equivalents	\$ 129,024	\$ 1,866	\$ 0	\$ 130,890
Accounts receivable - telecommunications	138,900	583		139,483
Accounts receivable - affiliate	46,899	27,084	73,983	0
Materials and supplies	288,548			288,548
Loan origination fees - current	2,750			2,750
Prepayments	4,815			4,815
Total current assets	<u>610,936</u>	<u>29,533</u>	<u>73,983</u>	<u>566,486</u>
NONCURRENT ASSETS:				
Deferred loan cost	39,187			39,187
Investment - affiliated	(17,366)		(17,366)	0
Total noncurrent assets	<u>21,821</u>	<u>0</u>	<u>(17,366)</u>	<u>39,187</u>
PROPERTY, PLANT, AND EQUIPMENT:				
Telecommunications plant in service	6,657,254			6,657,254
Telecommunications plant under construction	236,969			236,969
	<u>6,894,223</u>	<u>0</u>	<u>0</u>	<u>6,894,223</u>
Less: Accumulated depreciation	984,868			984,868
Net book value	<u>5,909,355</u>	<u>0</u>	<u>0</u>	<u>5,909,355</u>
Total assets	<u>\$ 6,542,112</u>	<u>\$ 29,533</u>	<u>\$ 56,617</u>	<u>\$ 6,515,028</u>

(The accompanying notes are an integral part of these financial statements)

LIABILITIES AND MEMBERS' EQUITY

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
CURRENT LIABILITIES:				
Accounts payable	\$ 597,934	\$ 0	\$ 0	\$ 597,934
Accounts payable - affiliate	27,084	46,899	73,983	0
Accounts payable - related party	60,212			60,212
Current portion - RUS	260,000			260,000
Current portion - John Reigle debt	26,760			26,760
Accrued taxes	5,614			5,614
Total current liabilities	<u>977,604</u>	<u>46,899</u>	<u>73,983</u>	<u>950,520</u>
LONG-TERM DEBT - current portion:				
RUS mortgage notes	6,426,567			6,426,567
John Reigle note payable	53,954			53,954
Total long-term liabilities	<u>6,480,521</u>	<u>0</u>	<u>0</u>	<u>6,480,521</u>
TOTAL LIABILITIES	<u>7,458,125</u>	<u>46,899</u>	<u>73,983</u>	<u>7,431,041</u>
MEMBERS' EQUITY:				
Memberships issued	2,980			2,980
Patronage capital (deficit)	(918,993)	(17,366)	(17,366)	(918,993)
Total members' equity (deficit)	<u>(916,013)</u>	<u>(17,366)</u>	<u>(17,366)</u>	<u>(916,013)</u>
 Total liabilities and members' equity	 <u>\$ 6,542,112</u>	 <u>\$ 29,533</u>	 <u>\$ 56,617</u>	 <u>\$ 6,515,028</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING REVENUES:				
Basic local network services	\$ 38,817	\$ 0	\$ 0	\$ 38,817
Network access services	1,359,789		28,324	1,331,465
Long distance	22,907			22,907
Internet revenue		28,394		28,394
Miscellaneous	3,447			3,447
Total operating revenues	<u>1,422,760</u>	<u>28,394</u>	<u>28,324</u>	<u>1,422,830</u>
OPERATING EXPENSES:				
Plant specific operations	146,878	45,760	28,324	164,314
Plant nonspecific operations	72,348			72,348
Depreciation and amortization	337,106			337,106
Customer operations	7,252			7,252
Corporate operations	378,467			378,467
Total operating expenses	<u>942,051</u>	<u>45,760</u>	<u>28,324</u>	<u>959,487</u>
GROSS OPERATING INCOME (LOSS)	480,709	(17,366)	0	463,343
OPERATING TAXES:				
Other operating taxes	<u>70,249</u>			<u>70,249</u>
OPERATING INCOME (LOSS)	<u>410,460</u>	<u>(17,366)</u>	<u>0</u>	<u>393,094</u>
NONOPERATING INCOME (DEDUCTIONS):				
Interest income	48			48
Interest expense - RUS	(307,391)			(307,391)
Interest expense - other	(15,029)			(15,029)
Income (loss) from affiliate	(17,366)		(17,366)	0
Other income (expense)	1,773			1,773
Total nonoperating income (deductions)	<u>(337,965)</u>	<u>0</u>	<u>(17,366)</u>	<u>(320,599)</u>
NET INCOME (LOSS)	<u>\$ 72,495</u>	<u>\$ (17,366)</u>	<u>\$ (17,366)</u>	<u>\$ 72,495</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING ACTIVITIES:				
Net income (loss)	\$ 72,495	\$ (17,366)	\$ 17,366	\$ 72,495
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	334,356			334,356
Amortization	2,750			2,750
Loss from investment in affiliate	17,366		(17,366)	0
Changes in operating assets and liabilities:				
(Increase) Decrease in:				
Accounts receivable	(118,787)	(583)		(119,370)
Accounts affiliate	(46,899)	(27,084)	73,983	0
Inventories	41,549			41,549
Other current assets	2,447			2,447
Increase (Decrease) in:				
Accounts payable	(290,037)			(290,037)
Accounts payable - related party	27,084	46,899	(73,983)	0
Accounts payable - NECA	(27,035)			(27,035)
Accrued taxes	1,896			1,896
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	17,185	1,866	0	19,051
INVESTING ACTIVITIES:				
Purchase of property, plant, and equipment	\$ (494,165)	\$ 0	\$ 0	\$ (494,165)

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
FINANCING ACTIVITIES:				
Increase in memberships	\$ 460	\$ 0	\$ 0	\$ 460
Proceeds from borrowings on long-term debt - RUS	798,229			798,229
Principal payments on long-term debt	(276,222)			(276,222)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	522,467	0	0	522,467
(DECREASE) IN CASH AND CASH EQUIVALENTS	45,487	1,866	0	47,353
CASH AND CASH EQUIVALENTS - BEGINNING	83,537			83,537
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 129,024</u>	<u>\$ 1,866</u>	<u>\$ 0</u>	<u>\$ 130,890</u>
SUPPLEMENTAL DISCLOSURES:				
Interest paid (\$14,250 capitalized)	\$ 336,670	\$ 0	\$ 0	\$ 336,670
Income taxes paid	\$ 0	\$ 0	\$ 0	\$ 0

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

SCHEDULE OF REVENUE SOURCES
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Subscriber Sources Revenues:		
Basic local telephone services	\$ 38,532	\$ 36,617
Subscriber line revenues	1,945	5,477
Internet revenue	26,519	28,394
Long distance	32,971	22,907
Miscellaneous	<u>29,052</u>	<u>3,447</u>
Total Subscriber Revenues	<u>129,019</u>	<u>96,842</u>
Carrier Access Billing (2010 estimated allocation):		
Interstate carrier	15,106	17,353
Intrastate carrier	<u>45,772</u>	<u>32,052</u>
Total Carrier Revenues	<u>60,878</u>	<u>49,405</u>
NECA:		
Interstate Common Line Support (ICLS)	384,245	398,622
Local Switching Support (LSS)	352,729	340,592
High Cost Loop Support (HCLS)	879,120	605,963
Other settlements/ adjustments	<u>(102,457)</u>	<u>(68,594)</u>
Total NECA revenues	<u>1,513,637</u>	<u>1,276,583</u>
Total Operating Revenues	<u>\$ 1,703,534</u>	<u>\$ 1,422,830</u>

(The accompanying notes are an integral part of these financial statements)



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March 14, 2012

Board of Directors
Allband Communications Cooperative
7251 Cemetery Road
Curran, Michigan 48728

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

We have audited the financial statements of Allband Communications Cooperative and subsidiary as of and for the year ended December 31, 2011, and have issued our report thereon dated March 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters, other than as described in Note 3 of the financial statements, that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our 2011 audit, we considered the Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by management. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We believe the following deficiencies to be significant deficiencies which constitute material weaknesses:

- **Comment:** While the Cooperative has obtained an awareness of the implication of fraud in their business, they have yet to develop a formal antifraud program with stated control processes.
- **Management's Response:** The Cooperative has given consideration to this matter and currently believes this is adequately addressed through strong management oversight in light of the relatively small size of the Cooperative.

This report is intended for the information of the board of directors, management, the Rural Utilities Service, and supplemental lenders. However, this report is a matter of public record and its distribution is not limited.

Lally Group, PC



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March 14, 2012

Board of Directors
Allband Communications Cooperative
7251 Cemetery Road
Curran, Michigan 48728

**INDEPENDENT AUDITORS' COMMUNICATION OF SIGNIFICANT MATTERS TO THOSE
CHARGED WITH GOVERNANCE**

We have audited the financial statements of Allband Communications Cooperative for the year ended December 31, 2011, and have issued our report thereon dated March 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Allband Communications Cooperative for the year ended December 31, 2011, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A description of the responsibility of management for establishing and maintaining the internal control over financial reporting and the objectives of and inherent limitations in such control is set forth in our independent auditors' report on compliance and on the internal control over financial reporting dated March 14, 2012, and should be read in conjunction with this report.

Board of Directors
Allband Communications Cooperative
March 14, 2012

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(2), and related party transactions. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditors' report, and our independent auditors' report on compliance and on internal control over financial reporting, all dated March 14, 2012), or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

Board of Directors
Allband Communications Cooperative
March 14, 2012

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Allband Communications Cooperative's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- the accounting procedures and records,
- the process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance, or other expense accounts,
- the materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

Management's responsibility for compliance with laws, regulations, contracts, and grants is set forth in our independent auditors' report on compliance and on internal control over financial reporting dated March 14, 2012, and should be read in conjunction with this report. At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement to maintain all funds in institutions whose accounts are insured by an agency of the federal government:
 1. Obtained information from financial institutions with which Allband Communications Cooperative maintains funds that indicated that the institutions are insured by an agency of the federal government.

Board of Directors
Allband Communications Cooperative
March 14, 2012

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, or for services pertaining to toll traffic, operator assistance, or switching for the year ended December 31, 2011, of Allband Communications Cooperative:
 - 1. Borrower did not have a schedule as they did not enter into any new written contracts during the year for the operation or maintenance of its property, or for the use of its property by others, or for services pertaining to toll traffic, operator assistance, or switching as defined in § 1773.33(e)(2)(i).
 - 2. Reviewed board of director minutes to ascertain whether any new contracts were approved during the year.
- Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
 - 1. Agreed amounts reported in Form 479 for Allband Communications Cooperative to Allband Communications Cooperative's records.
- Procedure performed with respect to funded reserve and net plant to secured debt ratio requirements:
 - 1. This provision does not apply to this borrower.

The results of our tests indicate that, with respect to the items tested, Allband Communications Cooperative complied, except as noted below, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- the borrower maintains all funds in institutions whose accounts are insured by an agency of the federal government.

Board of Directors
Allband Communications Cooperative
March 14, 2012

- the borrower has obtained written approval of the RUS to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others, or for services pertaining to toll traffic, operator assistance, or switching as defined in § 1773.33 (e)(2)(i); and
- the borrower has submitted its Form 479 to the RUS, and the Form 479, Financial and Statistical Report, as of December 31, 2011, represented by the borrower as having been submitted to RUS is in agreement with Allband Communications Cooperative's audited records in all material respects.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Allband Communications Cooperative, nothing came to our attention that caused us to believe that Allband Communications Cooperative failed to comply with respect to:

- the reconciliation of subsidiary plant records to the controlling general ledger plant accounts addressed at 7 CFR 1773.33 (c)(1);
- the clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33(c)(2);
- the retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4);
- sales of plant material or scrap addressed at 7 CFR 1773.33(c)(5);
- the disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the year ended December 31, 2011, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33(f).

This report is intended solely for the information and use of the board of directors, management, and the RUS, and supplemental lenders. However, this report is a matter of public record and its distribution is not limited.

Lally Group, PC

Allband Communications Cooperative A/P Aging Summary

12-31-2009		As of December 31, 2009				
	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Calix	0.00	1,259.28	0.00	53,640.67	0.00	54,899.95
Cardmember Services	0.00	2,374.75	108.94	0.00	0.00	2,483.69
Corn Net, inc.	592.10	93.75	880.40	0.00	0.00	1,566.25
Communcations Data group	0.00	4,404.39	0.00	0.00	0.00	4,404.39
Data Connections	4,377.00	0.00	0.00	0.00	0.00	4,377.00
Federated Rural Electric Insurance Exchan	0.00	0.00	3,756.00	0.00	0.00	3,756.00
Fred Williamson & Associates, Inc.	8,530.00	6,465.00	9,245.00	5,220.00	37,925.00	67,385.00
Great Lakes Comnet, Inc	0.00	7,136.09	5,658.85	0.00	0.00	12,794.94
Industrial Image Inc.	0.00	1,908.00	0.00	0.00	0.00	1,908.00
Kadrmass, Lee & Jackson, Inc.	11,420.67	76,894.40	32,732.08	17,242.60	96,738.83	235,028.58
Keisling Associates LLP	0.00	0.00	0.00	3,967.50	0.00	3,967.50
Lally Group, LLC	0.00	0.00	2,950.00	0.00	3,970.00	6,920.00
Mas Tec	412,067.91	0.00	0.00	0.00	0.00	412,067.91
Metaswitch	2,743.00	400.00	400.00	0.00	0.00	3,543.00
Michael D. McIntyre P.L.C.	0.00	5,528.00	6,200.00	0.00	0.00	11,728.00
National Directory Assistance	11.78	0.00	0.00	0.00	0.00	11.78
Northern Lights Splicing	0.00	0.00	0.00	7,431.96	0.00	7,431.96
NTCA Group Health Plan	4,223.55	0.00	0.00	0.00	0.00	4,223.55
The University of Michigan	0.00	1,331.50	0.00	0.00	0.00	1,331.50
Township of Mitchell	2,916.52	0.00	0.00	0.00	0.00	2,916.52
USDA-RUS	45,226.08	0.00	0.00	0.00	0.00	45,226.08
TOTAL	492,108.61	107,795.16	61,931.27	87,502.73	138,633.83	887,971.60

Allband Communications Cooperative **A/P Aging Summary**

	Current	As of December 31, 2010		61 - 90	> 90	TOTAL
		1 - 30	31 - 60			
Bank Of Alpena Credit Card	1,297.16	0.00	0.00	0.00	0.00	1,297.16
Com Net, inc.	50.00	0.00	0.00	0.00	0.00	50.00
Communcations Data group	3,969.00	0.00	0.00	0.00	0.00	3,969.00
Consumers Energy	68.67	0.00	0.00	0.00	0.00	68.67
Federated Rural Electric Insurance Exchan	164.00	0.00	0.00	0.00	0.00	164.00
Fred Williamson & Associates, Inc.	3,035.00	1,615.00	0.00	4,510.00	0.00	9,160.00
Gary Oil	1,735.81	0.00	0.00	0.00	0.00	1,735.81
Great Lakes Cornnet, Inc	1,438.69	1,573.87	0.00	0.00	0.00	3,012.56
Kadmas, Lee & Jackson, Inc.	42,067.00	137,996.72	0.00	0.00	63,196.25	243,259.97
Lally Group, LLC	2,795.00	0.00	0.00	0.00	0.00	2,795.00
Mas Tec	0.00	4,754.75	56,749.43	30,190.01	0.00	91,694.19
Metaswitch	3,143.25	0.00	0.00	0.00	0.00	3,143.25
National Directory Assistance	12.12	0.00	0.00	0.00	0.00	12.12
NeuStar, inc.	21.14	0.00	0.00	0.00	0.00	21.14
Northern Michigan Drilling Development	5,524.56	0.00	0.00	0.00	0.00	5,524.56
Orion Security LSP LLC	0.00	105.00	0.00	0.00	0.00	105.00
PIE & G	0.00	1,072.98	0.00	0.00	0.00	1,072.98
Power Up Solar	0.00	1,871.46	0.00	0.00	0.00	1,871.46
Public Law Resource Center PLLC	1,518.78	20.00	0.00	0.00	0.00	1,538.78
The University of Michigan	1,211.08	0.00	0.00	295.33	0.00	1,506.41
RUS- USDA	51,236.74	0.00	0.00	0.00	0.00	51,236.74
Vermeer Of Michigan, Inc.	678.81	0.00	0.00	0.00	0.00	678.81
Whitehouse Disposal Services	15.00	0.00	0.00	0.00	0.00	15.00
TOTAL	119,981.81	149,009.78	56,749.43	34,995.34	63,196.25	423,932.61

Allband Communications Cooperative
A/P Aging Summary
As of December 31, 2011

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
Calix	0.00	1,259.28	0.00	0.00	89,732.69	90,991.97
Com Net, Inc.	799.25	838.20	0.00	0.00	0.00	1,637.45
Communications Data group	4,498.26	326.61	0.00	0.00	0.00	4,824.87
Consumers Energy	0.00	128.33	0.00	0.00	0.00	128.33
Credit Card - Bank of Alpena	4,049.37	0.00	0.00	0.00	0.00	4,049.37
Cummins Bridgeway	0.00	540.71	0.00	0.00	0.00	540.71
Federated Rural Electric Insurance Exchan	0.00	197.00	4,370.00	0.00	0.00	4,567.00
Fred Williamson & Associates, Inc.	3,744.00	2,985.00	2,835.00	3,000.00	0.00	12,564.00
Geotech, Inc.	0.00	0.00	0.00	0.00	150.00	150.00
Great Lakes Connet, Inc	0.00	3,830.20	5,664.42	0.00	7,680.17	17,174.79
Kadmas, Lee & Jackson, Inc.	0.00	119,138.05	58,927.27	4,050.73	33,202.85	215,318.90
Lally Group, LLC	3,495.00	0.00	3,250.00	0.00	0.00	6,745.00
Lenexa Services, INC	0.00	6,621.00	0.00	0.00	0.00	6,621.00
Locators & Supplies, Inc.	208.80	0.00	0.00	0.00	0.00	208.80
Lynx	0.00	1,965.00	0.00	0.00	0.00	1,965.00
Metaswitch	0.00	3,580.50	0.00	0.00	4,030.00	7,610.50
Miss Dig System, Inc.	0.00	815.16	0.00	0.00	0.00	815.16
National Directory Assistance	9.44	0.00	0.00	0.00	0.00	9.44
NeuStar, Inc.	16.25	0.00	0.00	0.00	0.00	16.25
Newegg	488.78	0.00	0.00	0.00	0.00	488.78
Northern Michigan Drilling Development	3,546.00	0.00	0.00	0.00	0.00	3,546.00
NTCA	3,644.16	0.00	0.00	0.00	0.00	3,644.16
Orion Security LSP LLC	0.00	0.00	140.00	0.00	140.00	280.00
Power Up Solar	0.00	0.00	3,765.26	0.00	0.00	3,765.26
Public Law Resource Center PLLC	6,543.71	0.00	0.00	0.00	0.00	6,543.71
Rapid Results	30.00	0.00	0.00	0.00	0.00	30.00
Rosse Contracting Co, Inc.	0.00	361,349.58	0.00	0.00	0.00	361,349.58
Standard Electric Company	206.62	0.00	0.00	0.00	0.00	206.62
State of Michigan	137.00	36.99	0.00	0.00	0.00	173.99
Syniverse	31.87	0.00	0.00	0.00	0.00	31.87
The University of Michigan	1,138.33	1,138.33	0.00	0.00	0.00	2,276.66
USDA-RUS	0.00	53,178.93	0.00	0.00	0.00	53,178.93
USDA Forest Service	112.00	0.00	0.00	0.00	0.00	112.00
Verizon Wireless	270.09	0.00	0.00	0.00	0.00	270.09
Vermeer Of Michigan, Inc.	15.91	0.00	1,060.39	0.00	0.00	1,076.30
Whitahouse Disposal Services	0.00	0.00	0.00	-68.50	0.00	-68.50
Zielaskowski Builders and Excavating	600.00	0.00	0.00	0.00	0.00	600.00
TOTAL	33,884.84	557,928.87	80,012.34	8,862.23	134,935.71	813,443.99

Part Name	Vendor/Manufacturer	Part #	Quantity	Add #	Sub #	New Qty	Price	Total Price
ONT 710	Calix	100-00933	28			28	\$366.00	\$10,248.00
ONT 710G	Calix	100-00933	7			7	\$384.00	\$2,688.00
ONT721	Calix	100-00938	54			54	\$562.00	\$30,348.00
Cyber-Power	Cyber-Power	C524C12V2-E	12			12	\$29.00	\$348.00
ONT Enclosure	Corning	486970	177			177	\$29.00	\$5,133.00
Lowpro Flip-Top Tray	PLP	80807701BX	62			62	\$25.00	\$1,550.00
Lg. Splice Tray	Coyote	80805514BX	27			27	\$31.80	\$858.60
1 X 2 Splitter	Preformed	8000011920	5			5	\$25.49	\$127.45
1 x 4 Splitter	Preformed	8000011741	17			17	\$100.00	\$1,700.00
1 x 8 Splitter	PLC	201-A00320000970	4			4	\$150.00	\$600.00
1 x 32 Splitter	PLC	2030-A00320057952	1			1	\$250.00	\$250.00
1 x 32 Splitter		1469374	2			2	\$265.00	\$530.00
Dome Enclosure	Coyote	8006988	14			14	\$375.00	\$5,250.00
D-Gel Sole	LPS		3			3	\$24.00	\$72.00
Drop Splice	Multi-Link		0			0	\$33.58	\$-
.125 - .250 Grommet	Preformed	8003665	0			0	\$0.07	\$-
.420 - .800 Grommet	Preformed	8003663BX	0			0	\$0.07	\$-
Shrink Wraps .60 mil		680x615	0			0	\$0.28	\$-
Lint Free Wipes	American Polycorp Corp.	alc23mk4d	1000			1000	\$0.50	\$500.00
Splice Reducer	Thomas & Betts	ASR0214-B2	0			0	\$5.19	\$-
Splice Reducer	Thomas & Betts	ASR01114-B2	0			0	\$4.95	\$-
Splice Bolt Connection	Thomas & Betts	30H-B1				0	\$5.78	\$-
3/4 Grommet	Preformed	8003608	0			0	\$0.07	\$-
Acorns	Standard Electric	200294	142			142	\$0.07	\$9.94
Copper Ground Nut			173			173	\$1.53	\$264.69
Grounding Clamps	3M Scotchlock	78-8135-4338-2-B	876			876	\$1.41	\$1,235.16
Grounding tether			0			0	\$1.65	\$-
51C/DC-5C1APCSM	Fiber.com	10110210062	24			24	\$1.56	\$37.44
5C UDC TO5C UPC	Fiber.com	5FAP-11P11-003M	1			1	\$2.55	\$2.55
5C/APC-SC/APC	Fiber.com	1011210062	45			45	\$1.30	\$58.50
Remote			0			0	\$14,109.75	\$-
CAT5E Wire (White) *per ft*	Genesis	50781101	1650			1650	\$0.09	\$148.50
CAT5E Wire (Blue) *per ft*	Genesis	20110613-20-01	1514			1514	\$0.09	\$136.26
CAT5E Wire (Lt. Blue) *per ft*	Genesis		288			288	\$0.09	\$25.92
CAT5E Wire (Black) *per ft*	Genesis	20100-00427-2101	300			300	\$0.09	\$27.00
CAT5E Wire (Underground) *per ft*	Genesis		278			278	\$0.30	\$83.40
Power Cable *per ft*	General Cable	5136100	1000			1000	\$0.50	\$500.00
Power Cable *per ft*	awm2464	100-01314	19000			19000	\$0.50	\$9,500.00
Gray Awg. 10 Wire *per ft.*	Encore Wire Corp		75			75	\$1.34	\$100.50
Black Ground Wire *per ft.*	Standard Electric	THHN58BKS	800			800	\$1.34	\$1,072.00
Marking Balls	3M Scotchlock	1401-X12	210			210	\$6.95	\$1,459.50
Orange Marking Flags	Locators & Supplies, Inc.	106-8590	2050			2050	\$0.10	\$205.00
Orange Marking Paint	Do it best center	mc45n5hg	11			11	\$5.00	\$55.00
Reflective Letters	acp international	dn-55-kit	2			2	\$72.95	\$145.90
Ground rods 8' Galvanized	8' Galvanized		60		0	60	\$8.75	\$525.00
Grounding Block	Squard D	40272-069-02	264			264	\$2.54	\$670.56
10' 4 x 4 Posts	Home Depot		3			3	\$14.02	\$42.06
8' 4 x 4 Post	Home Depot		1			1	\$6.32	\$6.32
8' 1 1/2 ggi Post			0			0	\$15.37	\$-
Quik Crete (By Bag)	Home Depot		2			2	\$3.66	\$7.32
Solar Panels	Sunwise	SW60a	2			2	\$335.00	\$670.00
Solar Mounting Kits	Sunwise	950037	4			4	\$96.00	\$384.00

[illegible]

[illegible]

Installment Promissory Note

Amount \$50,000.00

Date: December 31, 2007

FOR VALUE RECEIVED, the undersigned, Allband Communications Cooperative (Borrower), maintaining an address at PO Box 8, Curran, MI 48728 (Borrower's Address) promises to pay to the order of John Reigle (Lender), whose address is PO Box 64, Curran, MI 48728 (Lender's Address), the principal sum of \$50,000.00 (Fifty Thousand and no/100 Dollars) (Principal), together with interest of 10.0% (Interest Rate) per year thereon from the date herein.

The accrued interest shall be paid in monthly installments of \$416.67, with the first payment beginning on January 31, 2008 and continuing every month thereafter with a like amount on the same date each month. The full amount of this note and all accrued interest is due December 31, 2010.

All or any part of the Principal may be prepaid at any time and from time to time without penalty. Payments shall be applied first to accrued interest and the balance to the Principal.

In the event of any default by the Borrower in the payment of Principal or interest after demand is made, the unpaid balance of the Principal of this promissory note shall, at the option of the holder, become immediately due and payable. Any amount due at the time of default shall accrue interest until payment at the rate of eleven percent (11%) per year or the highest rate permitted by law, whichever is less.

Upon default in making payment within 7 days of demand, Borrower agrees to pay all reasonable legal fees and costs of collection to the extent permitted by law.

Borrower and all other persons who may become liable for the payment hereof severally waive demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, and any and all lack of diligence or delays in collection, which may occur.

All payments hereunder shall be made to such address as may from time to time be designated by any holder and must be made in United States funds.

Borrower and all other parties to this note, whether as endorsers, guarantors or sureties, agree to remain fully bound until this note shall be paid in full and waive demand, presentment and protest and all notices hereto. Borrower further agrees to remain bound by this note notwithstanding any extension, modification, waiver, or other indulgence, failure, discharge or release of any obligation hereunder.

The holder's failure to exercise any right or option hereunder does not constitute a waiver of any future right or option.

No modification to this document or indulgence by any holder hereof shall be binding unless in writing.

If any provision of this Note is deemed unenforceable, in whole or in part, for any reason, the remaining provisions shall still remain in full force and effect.

This note shall take effect as a sealed instrument and is made and executed under, and is in all respects governed by, the laws of: Michigan (State).

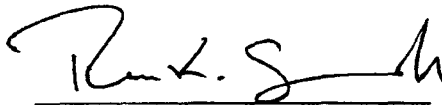

Jim Baepaer, Treasurer
Allband Communications Cooperative

Installment Promissory Note Amendment

FOR VALUE RECEIVED, the undersigned, Allband Communications Cooperative (Borrower), maintaining an address at PO Box 8, Curran, MI 49728 (Borrowers Address) promises to pay to the order of John Reigle (Lender), whose address is PO Box 64, Curran, MI 48728 (Lender's Address), the below added amounts to the principle sum of \$50,000.00 (Twenty Five Thousand and no/100 Dollars) (Principal), together with interest of 11.0% (Interest Rate) per year thereon from the date herein.

Amounts Added to Original Loan:

\$17,448.14 Health Insurance Reimbursement

 12/11/2009

Ron Siegel, General Manager

Allband Communications Cooperative